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To the Members of  
Indiana Health and Educational Facility Financing Authority

We have audited the financial statements of the Indiana Health and Educational Facility Financing Authority (IHEFFA) for the year ended June 30, 2006, and have issued our report thereon dated November 16, 2006. Professional standards require that we provide you with the following information related to our audit.

## *Our Responsibility under Auditing Standards Generally Accepted in the United States and Government Auditing Standards*

As stated in our engagement letter dated October 30, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of IHEFFA. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## *Significant Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by IHEFFA are described in Note 1 to the financial statements.

## *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Members  
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*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Audit Adjustments*

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on IHEFFA's financial reporting process (that is, cause future financial statements to be materially misstated). We did not propose any audit adjustments as a result of our procedures.

*Issues Discussed Prior to Retention of Independent Auditors*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as IHEFFA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board Members and management of the Indiana Health and Educational Facility Financing Authority and is not intended to be and should not be used by anyone other than these specified parties.

*Kathy Johnson Miller, LLP*

Indianapolis, Indiana  
November 16, 2006

**INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY**

**FINANCIAL STATEMENTS**

June 30, 2006

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
Indianapolis, Indiana

FINANCIAL STATEMENTS  
June 30, 2006

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## REPORT OF INDEPENDENT AUDITORS

To the Members of  
Indiana Health and Educational Facility Financing Authority  
Indianapolis, Indiana

We have audited the accompanying basic financial statements of Indiana Health and Educational Facility Financing Authority as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Health and Educational Facility Financing Authority as of June 30, 2006, and its changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
November 16, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Indiana Health and Educational Facility Financing Authority's (the "Authority") financial report provides a discussion and analysis of the financial performance during the year ended June 30, 2006. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*. Please read it in conjunction with the Report of the Independent Auditors, the basic financial statements, and the accompanying notes.

### **Background of the Authority**

The Indiana Health and Educational Facility Financing Authority (the "Authority"), is the resulting Authority from the merger of the Indiana Health Facility Financing Authority (the "IHFFA") and the Indiana Educational Facility Financing Authority (the "IEFA"), effective May 15, 2005. The former IHFFA and the former IEFA maintained their separate respective financial reporting identities through June 30, 2005. Starting July 1, 2005, the financial reporting identities were combined under the identity of the new Authority. The Authority provides affordable financing alternatives for Indiana health care organizations and private institutions of higher education. The Authority offers a number of programs to meet the financing needs of health care providers and private institutions of higher education such as financing for capital expenditures and refinancing of outstanding indebtedness. The Authority's bonds are payable solely out of loan or lease payments from the health care organization and higher education institutions, resulting in materially lower financing cost to the borrowing institution.

The Authority is accounted for as an enterprise fund. Assets, liabilities, revenues and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements. In addition, the Authority follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

## Financial Highlights

Management believes an important indicator of the Authority's financial health is whether or not the Authority receives sufficient revenue to pay debt service on the Authority's non-conduit revenue bonds and meet its other obligations when due. In Fiscal Year 2006 and prior fiscal years since the Authority and its predecessor entities were established, the Authority received sufficient revenue to pay its debts and meet its other obligations.

To note some major accomplishments in Fiscal Year 2006, the Authority:

- Issued \$4.78 million in loans from the 1985A bond issue pool.
- Paid over \$2.7 million of interest on long-term debt, which matures in Fiscal Year 2016.
- Issued \$1.899 billion in debt obligations on behalf of certain health and higher education facilities. These bonds, notes and other obligations do not constitute debt of the Authority, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt.
- Authorized a \$2 million capital commitment to the Indiana Seed Fund I, LLC over the next 3 years.

## BASIC FINANCIAL STATEMENTS

The Authority is accounted for as an enterprise fund. Assets, liabilities, revenues and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services.

The basic financial statements include:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows

The basic financial statements also include notes that explain some of the information in the basic financial statements and provide data that are more detailed.

## CONDENSED FINANCIAL INFORMATION

### *Statement of Net Assets*

A summarized schedule of the Authority's assets, liabilities and net assets at June 30, 2006 follows:

Total current assets	\$ 72,128,980
Total noncurrent assets	<u>28,911,955</u>
Total assets	<u>\$ 101,040,935</u>
Total current liabilities	\$ 355,470
Long-term maturities of debt	<u>92,400,000</u>
Total liabilities	92,755,470
Total net assets	<u>8,285,465</u>
Total liabilities and net assets	<u>\$ 101,040,935</u>

The net assets of the Authority (the excess of its assets over its liabilities) at June 30, 2006 were \$8,285,465. Of this amount, \$858,624 is restricted for debt service and the remaining balance is unrestricted.

### *Statement of Revenues, Expenses and Changes in Net Assets*

A summarized schedule of the Authority's operating revenues, operating expenses and nonoperating revenues for the year ended June 30, 2006 follows:

Operating revenues	\$ 4,527,610
Operating expenses	<u>4,152,117</u>
Operating income	375,493
Nonoperating revenues	<u>211,769</u>
Change in net assets	<u>\$ 587,262</u>

Total operating revenues for the year ended June 30, 2006 were \$4,527,610, which includes loan interest income of \$1,141,530, investment income of \$2,537,212, administrative fees of \$816,523 and other income of \$32,345.

Total operating expenses for the year ended June 30, 2006 were \$4,152,117, of which \$2,774,266 consists of interest expense on debt with bondholders.

### *Operating Analysis*

The Authority's operations consist of issuing conduit debt for health care providers and nonprofit educational institutions.

The Authority charges administrative fees for its services. In fiscal year 2006, administrative fees earned were \$816,523. The revenue from the administrative fees is used to pay for the day-to-day operations of the Authority.



### ***Nonoperating Activities***

The only nonoperating revenue shown on the Authority's financial statements is interest income earned on the investments that are not restricted as part of its bond issuance activities.

### ***Capital Assets***

Equipment used for the Authority totaled \$24,955 with accumulated depreciation of \$12,417 at June 30, 2006. There were no additions during the year ended June 30, 2006. Additional information on the Authority's capital assets can be found in Note 4 to the financial statements.

### ***Debt Administration***

The Authority had long-term debt outstanding at June 30, 2006 totaling \$92.4 million which relates to the 1985A Revenue Bonds. There were no changes in long-term debt activity during the year. The bonds all mature in Fiscal Year 2016. The total amount of conduit debt outstanding for fiscal year 2006 was approximately \$6.222 billion. Additional information on the Authority's long-term debt can be found in Note 5 to the financial statements.

### ***Economic Factors and Next Year's Activities***

It is anticipated that Indiana health care providers and private institutions of higher education will continue to experience capital needs for which the Authority can provide financing. If interest rates remain low, many borrowers may choose to take advantage of the favorable market conditions and finance their capital needs sooner rather than later. In addition, some borrowers may want to refinance their higher interest rate debt. Based on current economic factors, the Authority expects to experience a steady flow of conduit debt activity into the next fiscal year.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report should be addressed to the Indiana Health and Educational Facility Financing Authority, One North Capital, Suite 900, Indianapolis, Indiana 46204.

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
STATEMENT OF NET ASSETS  
June 30, 2006

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**ASSETS**

Current assets:

Cash and cash equivalents (Note 2)	\$ 1,693,191
Accrued administration fees	235,305
Accrued investment income	221,064
Investments (Note 2)	66,162,386
Accrued interest on loans	44,151
Loans receivable (Note 3)	<u>3,772,883</u>
Total current assets	<u>72,128,980</u>

Noncurrent assets:

Investments (Note 2)	2,151,500
Loans receivable (Note 3)	26,747,917
Capital assets, net (Note 4)	<u>12,538</u>
Total noncurrent assets	<u>28,911,955</u>

Total assets \$ 101,040,935

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 132,324
Accrued interest on debt	<u>223,146</u>
Total current liabilities	<u>355,470</u>

Noncurrent liabilities:

Long-term maturities of debt (Note 5)	<u>92,400,000</u>
Total liabilities	<u>92,755,470</u>

Net assets

Invested in capital assets, net of related debt	12,538
Restricted expendable for debt service	858,624
Unrestricted	<u>7,414,303</u>
Total net assets	<u>8,285,465</u>

Total liabilities and net assets \$ 101,040,935

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See accompanying notes to financial statements.

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
Year Ended June 30, 2006

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<b>Operating revenues</b>	
Interest on loans	\$ 1,141,530
Investment income	2,537,212
Administration fees	816,523
Contractual service fees	<u>32,345</u>
Total operating revenues	<u>4,527,610</u>
<b>Operating expenses</b>	
Salaries, benefits and related expenses	205,940
Interest expense on debt	2,774,266
Bond insurance	508,000
Bond and investment administration	385,640
Legal and professional fees	75,935
Conferences, meetings and travel	6,087
Office administration and supplies	60,810
Rent (Note 6)	127,999
Depreciation	5,213
Miscellaneous expense	<u>2,227</u>
Total operating expenses	<u>4,152,117</u>
<b>Operating income</b>	375,493
<b>Nonoperating revenues</b>	
Investment income	<u>211,769</u>
<b>Change in net assets</b>	587,262
<b>Net assets, beginning of year</b>	<u>7,698,203</u>
<b>Net assets, end of year</b>	<u>\$ 8,285,465</u>

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See accompanying notes to financial statements.

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2006

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<b>Operating activities</b>	
Investment interest received	\$ 2,472,066
Loans disbursed to health facilities	(4,782,826)
Principal repayments on loans	11,133,673
Loan interest received	1,116,422
Other receipts for operating activities	830,631
Other cash paid for operating activities	<u>(1,088,229)</u>
Net cash provided by operating activities	<u>9,681,737</u>
<b>Investing activities</b>	
Investment interest received	228,693
Net change in investment securities	<u>(6,489,080)</u>
Net cash (used in) investing activities	<u>(6,260,387)</u>
<b>Financing activities</b>	
Interest paid on debt	<u>(2,722,230)</u>
Net cash (used in) financing activities	<u>(2,722,230)</u>
Increase in cash and cash equivalents	699,120
Cash and cash equivalents, beginning of year	<u>994,071</u>
Cash and cash equivalents, end of year	<u>\$ 1,693,191</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 375,493
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5,213
Interest paid on debt	2,722,230
Changes in certain assets and liabilities:	
Accrued administration fees	(18,236)
Accrued investment income	(65,146)
Accrued interest on loans	(25,109)
Loans receivable	6,350,847
Prepaid expenses	250,369
Accounts payable and other accrued expenses	34,040
Accrued interest on debt	<u>52,036</u>
<b>Net cash provided by operating activities</b>	<u>\$ 9,681,737</u>

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See accompanying notes to financial statements.

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity and Nature of Operations: The Indiana Health and Educational Facility Financing Authority (the "Authority"), is the resulting Authority from the merger of the Indiana Health Facility Financing Authority (the "IHFFA") and the Indiana Educational Facility Financing Authority (the "IEFA"), effective May 15, 2005. The IHFFA was established by the 1983 General Assembly (IC5-1-16) and IEFA was created by legislation enacted into law in 1979 (IC 20-12-63). The Authority provides affordable financing alternatives for Indiana health care organizations and private institutions of higher education. The Authority offers a number of programs to meet the financing needs of health care providers and private institutions of higher education such as financing for capital expenditures and refinancing of outstanding indebtedness. The Authority's bonds are payable solely out of loan or lease payments from the health care organization and higher education institutions, resulting in materially lower financing cost to the borrowing institution.

Measurement Focus and Basis of Accounting: The Authority is accounted for as an enterprise fund. Assets, liabilities, revenues and expenses are recognized using the economic resources measurement focus and the accrual basis of accounting. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority applies all applicable GASB pronouncements. In addition, the Authority follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Assets: Net assets are displayed in three components:

- The Invested in Capital Assets component consists of property or infrastructure that the Authority acquired, net of any related debt.
- The Restricted Net Assets component represents net assets with constraints placed on their use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation, as defined in GASB Statement No. 46 - *Net Assets Restricted by Enabling Legislation*.
- The Unrestricted Net Assets component consists of net assets that do not meet the definition of the preceding two components.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents consist primarily of money market funds.

Investments: Investments are generally stated at fair value. Money market investments and U.S. Government agency obligations are carried at amortized cost because their remaining maturity at the time of purchase is typically one year or less. Investment in venture capital is valued based upon unaudited financial reporting of the entities as independent market valuations are not available. The Authority believes the carrying amount of venture capital investments is a reasonable estimate of fair value. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net assets.

Loans Receivable: Loans are carried at the principal amount outstanding. Interest income is accrued on the principal balances of loans.

Provision for Loan Losses: Due the nature of the financing under the loans, management has estimated that no allowance for uncollectible loans was necessary at June 30, 2006.

Capital Assets: Outlays for capital assets and items which substantially increase the useful lives of existing capital assets are capitalized at cost. The Authority provides for depreciation on the straight-line method at rates designated to depreciate the costs of capital assets over their estimated useful lives, which range from five to ten years.

Long-term Debt: Bonds and notes payable are recorded at the principal amount outstanding, net of any applicable premium or discount.

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INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES (Continued)**

Revenue and Expense Recognition: The Authority records all revenues derived from its administration of conduit debt and 1985A bond programs as operating revenues since these are generated from the Authority's daily operations needed to carry out its statutory purpose. Annual administrative fees are assessed based on the following:

- Health - The lesser of five (5) basis points of the principal amount of the bonds not yet redeemed on prior year anniversary date or \$5,000
- Higher Education - Five (5) basis points of the principal amount of the bonds not yet redeemed as of December, 31, 2005, to be paid at the beginning of the subsequent calendar year.

Investment income earned from the Authority's unrestricted investments is recorded as nonoperating revenue, while all other investment income on investments restricted as part of its bond issuance activities is recorded as operating.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources as they are needed.

Expense Classification: Expenses have been classified using functional and activity classifications using direct costs and estimated indirect cost allocations based upon time allocation and benefit.

Compensated Absences: Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. If material, vacation leave, which has been earned but not paid, is accrued in the financial statements. Compensation for holiday and other qualifying absences is not accrued in the financial statements because rights to such compensation amounts either do not accumulate or vest.

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

Deposits: Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority's policy requires that the cash equivalent portion of the portfolio be held in savings and checking accounts. Where possible, bank deposits will be FDIC insured. The Authority's cash deposits are insured up to \$100,000 per financial institution by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$100,000 FDIC limits are uninsured. As of June 30, 2006, the Authority's total demand deposits and savings accounts amounted to \$1,235,688, while the bank balance was \$1,245,521. The remaining balance of \$1,145,521 at June 30, 2006 was uninsured and uncollateralized.

Investments: The Authority has a policy that governs investments not subject to trust indenture. Under the policy, assets will be invested prudently with the goal of providing a long-term rate of return in excess of inflation. Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return, unless under certain circumstances it is clearly prudent not to do so. Funds will be held in fixed income securities, money market funds, and other investments with longer terms and little or no liquidity if the Authority determines by resolution that it has available funds to do so and the investment is in accordance with its public purposes. Funds held by the trustee for the Authority's bond issue are invested in accordance with the terms of the trust indenture for the particular issue which include money market funds and guaranteed investment contracts.

At June 30, 2006, the Authority's cash, cash equivalents and investments are summarized as follows:

Cash and cash equivalents	\$ 1,693,191
U.S. Government agency obligations	5,398,039
Guaranteed investment contracts	62,763,847
Investment in Indiana Seed Fund I, LLC	<u>152,000</u>
 Total cash, cash equivalents and investments	 <u>\$ 70,007,077</u>

Restrictions and Commitments: Total cash and investments of \$62,810,475 were required to be held in trust for repayment of debt at June 30, 2006.

At June 30, 2006, the Authority had outstanding capital commitments to the Indiana Seed Fund I, LLC totaling \$1,848,000.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, fixed income securities shall be laddered, so that issue maturities lag to minimize the impact of markets. As of June 30, 2006, all of the Authority's investments subject to interest rate risk had a maturity of less than one year, except U.S. Government agency obligations totaling \$1,999,500 with a maturity of one to five years.



INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Credit Risk: Credit risk is the risk that the insurer or other counterparty to an investment will not fulfill its obligations. The following table provides information on the credit ratings associated with the Authority's investments at June 30, 2006:

	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Fair Value</u>
Guaranteed investment contracts	AAA	Aaa	AAA	\$ 62,763,847
U.S. Government agency obligations	AAA	Aaa	AAA	999,500
	AAA	Aaa	Unrated	1,000,000
	Unrated	Unrated	F1+	1,373,947
	Unrated	Unrated	Unrated	<u>2,024,592</u>
Total rated investments				<u>\$ 68,161,886</u>

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that in the possession of an outside party. At June 30, 2006, all of the Authority's investments in guaranteed investment contracts, U.S. Government agency obligations, and investment in venture capital were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent in other than the Authority's name. The Authority's investment policy does not address how investment securities are to be held.

Concentration of Credit Risk: The Authority's investment policy does not address limits on the amount that may be invested in any one issuer. The Authority holds Guaranteed Investment Contracts issued by Ixis Funding Corporation totaling \$62,763,847, or 92% of investments, which are not explicitly guaranteed by the U.S. Government and are subject to concentration of credit risk.

Foreign Currency Risk: Foreign currency risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The Authority's investment policy prohibits investments in foreign investments.

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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**NOTE 3 - LOANS RECEIVABLE**

The loans receivable balance at June 30, 2006 includes:

Amounts due within one year	\$ 3,772,883
Amounts due thereafter	<u>26,747,917</u>
	<u>\$ 30,520,800</u>

These amounts represent projects that have been submitted and approved as part of the 1985A bond program. The Authority loaned \$4,782,826 from the 1985A bond issue pool during 2006. Interest earned on loans receivable was \$1,141,530 during the year ended June 30, 2006, and accrued interest on loans was \$44,151 at June 30, 2006. Due to the nature of the financing under the loans, management has determined that no allowance for uncollectible loans was necessary at June 30, 2006.

**NOTE 4 - CAPITAL ASSETS**

Capital assets during Fiscal Year 2006 included the following:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>
Capital assets, being depreciated:				
Furniture and equipment	\$ 28,773	\$ -	\$ (3,818)	\$ 24,955
Less: accumulated depreciation	<u>(11,022)</u>	<u>(5,213)</u>	<u>3,818</u>	<u>(12,417)</u>
Capital assets, net	<u>\$ 17,751</u>	<u>\$ (5,213)</u>	<u>\$ -</u>	<u>\$ 12,538</u>

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INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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**NOTE 5 - LONG-TERM DEBT**

The Authority had the following debt outstanding at June 30, 2006:

<u>Bond/Note</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Balance</u>
1985A Revenue Bonds	2016	Adjustable	\$ 92,400,000

There were no changes in long-term debt activity during the year and all outstanding bonds are reported as noncurrent. The bonds all mature in Fiscal Year 2016. The interest rate on the 1985A revenue bonds is adjustable weekly and determined by the bond remarketing agent. During Fiscal Year 2006, the rate ranged from 2.285% to 3.8325% and was 3.8325% at June 30, 2006. Upon election by the Authority and the satisfaction of certain conditions, the 1985A revenue bonds may be converted to a fixed interest rate.

Prior to conversion to a fixed interest rate, registered 1985A bondholders may demand purchase of the bonds at a price equal to principal plus accrued interest. The Authority has entered into an agreement with a bond remarketing agent to arrange for the sale of the bonds which are tendered for purchase prior to maturity. However, if such bonds cannot be remarketed, the Authority has entered into a standby purchase agreement with a bank to purchase the bonds. Any bonds purchase by the bank would bear interest at the bank's prime rate and be due at the same maturity dates. The term of the standby purchase agreement extends until the earlier of the fixed rate conversion date or December 20, 2009, provided certain events of default as specified in the agreement do not occur. As of June 30, 2006, none of these events of default had occurred and no bonds had been tendered for purchase. Certain fees to maintain the remarketing and standby purchase agreements are also required to be paid.

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2007	\$ -	\$ 3,541,230
2008	-	3,541,230
2009	-	3,541,230
2010	-	3,541,230
2011	-	3,541,230
2012-2016	<u>92,400,000</u>	<u>15,640,433</u>
	<u>\$ 92,400,000</u>	<u>\$ 33,346,583</u>

The future interest requirements for variable rate bonds are based on interest rates in effect at June 30, 2006.

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INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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**NOTE 5 - LONG-TERM DEBT (Continued)**

The Authority's 1985A Variable Rate Demand Bonds were issued in the original amount of \$100,000,000 with a maturity of December 1, 2015. As funds accumulate from repaid loans which are not utilized for new loans, a prescribed aging formula is applied which determines if a mandatory redemption of bonds is required. On December 1, 1993, a mandatory redemption of \$7,600,000 was made, and on December 1, 2006, an additional \$14,800,000 is scheduled to be redeemed. The 1985A Variable Rate Demand Bonds will be outstanding in the amount of \$77,600,000 following the 2006 redemption.

**NOTE 6 - CONDUIT DEBT OBLIGATIONS**

The Authority has issued debt obligations on behalf of certain health and higher education facilities for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes and other obligations and the interest thereon do not constitute debt or liability of the Authority, the State of Indiana, or any political subdivision thereof, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The number of outstanding bond issues and principal amount outstanding at June 30, 2006 were approximately 157 and \$6.298 billion, respectively.

**NOTE 7 - OPERATING LEASE**

The Authority leases office space pursuant to a non-cancelable operating lease expiring in November 2009. The future total minimum rental payments of approximately \$94,750 are due in monthly installments of \$2,311 through November 2009. The Authority also leases office space under a sublease with the Indiana Finance Authority commencing March 1, 2006. Either party may terminate the agreement upon ninety (90) days written notice to the other party. Monthly rent expense for the operating lease was \$964 for the three months ended June 30, 2006. Total rent expense was \$127,999 for the year ended June 30, 2006.

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

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**NOTE 8 - OTHER COMMITMENTS**

The Authority has commitments to pay fees for remarketing and bond insurance premiums as follows:

<u>Description</u>	<u>Annual Fee</u>
Remarketing agreement fee for the remarketing of 1985A bonds tendered for purchase. The agreement extends essentially to the earliest of the fixed rate conversion date or the date of payment of the 1985A bonds.	.10% of the weighted term average 1985A bonds outstanding.
Standby purchase agreement fee for the purchase of tendered 1985A bonds not remarketed. Term of the agreement extends essentially to the earliest of the fixed rate conversion date or December 20, 2009.	25 basis points of the weighted-average 1985A bonds outstanding plus accrued interest for 46 days at 20%. Additional fees would also be due should 1985A bond ratings decline.
1985A bond insurance premium. Term of insurance policy extends to December 1, 2015.	.55% of the weighted-average 1985A bonds outstanding.

**NOTE 9 - PENSION PLAN**

The Authority reimburses the Indiana Finance Authority (the "IFA") for the costs of employee services, including contributions to the Public Employers' Retirement Fund ("PERF"). The IFA contributes to the PERF, an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for state employees and employees of the various instrumentalities of the State. All full-time state employees are eligible to participate in this defined benefit plan. State statutes (Indiana Code 5-10.2 and 5-10.3) give the IFA the right to contribute and govern most requirements of the system, including the benefits, which vest after ten years of service.

INDIANA HEALTH AND EDUCATIONAL FACILITY  
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June 30, 2006

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**NOTE 9 - PENSION PLAN (Continued)**

Participants who have reached age 50 may receive retirement benefits with fifteen years of service. A participant may receive benefits at age 65 with ten years of service. Participants are required to contribute 3% of compensation to an annuity savings account. Effective July 1, 1986, legislation permits a PERF employer to make the participant contributions on behalf of the participant. The IFA elected to pay its employees' 3% contribution. The employer rate of contributions was 4.5% during Fiscal Year 2006. These accumulated employee contributions and allocated interest income are maintained by PERF in a separate system wide fund for all members. Upon retirement, members may elect a lump sum distribution of all or part of the savings account. Participants who leave employment before qualifying for benefits receive a refund of the savings account.

PERF holds and invests all plan assets. Investments are in obligations of the U.S. Government, federal agencies, corporate bonds and equity securities. There is no (i) pension benefit obligation information, (ii) assets available for benefits at cost information or (iii) an analysis of funding disclosed in the annual financial statements. However, PERF performed an actuarial valuation of the IFA's plan as of June 30, 2006, which is included in the Annual Report of the Indiana Public Employees' Retirement Fund for state employees and employees of the various subdivisions of the State. The IFA's contributions to PERF were in accordance with the requirements computed in the actuarial valuation performed June 30, 2006, the last date available.

Information regarding PERF may be obtained from:

Public Employees' Retirement Fund  
143 W. Market Street  
Indianapolis, IN 46204

## **SUPPLEMENTARY INFORMATION**

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
SCHEDULE OF NET ASSETS BY FUND  
June 30, 2006

	<u>General</u>	<u>1985A Bond Issue Fund</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,646,563	\$ 46,628	\$ 1,693,191
Accrued administration fees	235,305	-	235,305
Accrued investment income	10,451	210,613	221,064
Investments	3,398,539	62,763,847	66,162,386
Accrued interest on loans	-	44,151	44,151
Loans receivable	-	3,772,883	3,772,883
Total current assets	<u>5,290,858</u>	<u>66,838,122</u>	<u>72,128,980</u>
Noncurrent assets			
Investments	2,151,500	-	2,151,500
Loans receivable	-	26,747,917	26,747,917
Capital assets, net	<u>12,538</u>	<u>-</u>	<u>12,538</u>
Total noncurrent assets	<u>2,164,038</u>	<u>26,747,917</u>	<u>28,911,955</u>
Total assets	<u>\$ 7,454,896</u>	<u>\$ 93,586,039</u>	<u>\$ 101,040,935</u>
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities			
Accounts payable	\$ 28,055	\$ 104,269	\$ 132,324
Accrued interest on debt	<u>-</u>	<u>223,146</u>	<u>223,146</u>
Total current liabilities payable	<u>28,055</u>	<u>327,415</u>	<u>355,470</u>
Long-term maturities of debt	<u>-</u>	<u>92,400,000</u>	<u>92,400,000</u>
Total liabilities	<u>28,055</u>	<u>92,727,415</u>	<u>92,755,470</u>
Net assets			
Invested in capital assets, net of related debt	12,538	-	12,538
Restricted for debt service	-	858,624	858,624
Unrestricted	<u>7,414,303</u>	<u>-</u>	<u>7,414,303</u>
Total net assets	<u>7,426,841</u>	<u>858,624</u>	<u>8,285,465</u>
Total liabilities and net assets	<u>\$ 7,454,896</u>	<u>\$ 93,586,039</u>	<u>\$ 101,040,935</u>



INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY FUND  
Year Ended June 30, 2006

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	<u>General</u>	<u>1985A Bond Issue Fund</u>	<u>Totals</u>
<b>Operating revenues</b>			
Interest on loans	\$ -	\$ 1,141,530	\$ 1,141,530
Investment income	-	2,537,212	2,537,212
Administration fees	816,523	-	816,523
Contractual service fees	<u>32,345</u>	<u>-</u>	<u>32,345</u>
Total operating revenues	<u>848,868</u>	<u>3,678,742</u>	<u>4,527,610</u>
<b>Operating expenses</b>			
Salaries, benefits and related expenses	205,940	-	205,940
Interest	-	2,774,266	2,774,266
Bond insurance	-	508,000	508,000
Bond and investment administration	-	385,640	385,640
Legal and professional fees	67,897	8,038	75,935
Conferences, meetings and travel	6,087	-	6,087
Office administration and supplies	60,810	-	60,810
Rent	127,999	-	127,999
Depreciation	5,213	-	5,213
Miscellaneous expense	<u>(2,211)</u>	<u>4,438</u>	<u>2,227</u>
Total operating expenses	<u>471,735</u>	<u>3,680,382</u>	<u>4,152,117</u>
<b>Operating income (loss)</b>	377,133	(1,640)	375,493
<b>Nonoperating revenues</b>			
Investment income	<u>211,769</u>	<u>-</u>	<u>211,769</u>
<b>Change in net assets</b>	588,902	(1,640)	587,262
Net assets, beginning of year	<u>6,837,939</u>	<u>860,264</u>	<u>7,698,203</u>
<b>Net assets, end of year</b>	<u>\$ 7,426,841</u>	<u>\$ 858,624</u>	<u>\$ 8,285,465</u>

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INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
SCHEDULE OF CONDUIT DEBT  
June 30, 2006

The following revenue bonds of the Authority are collateralized by either or both of a pledge of the revenues of the borrowing institution or by first mortgages of on the physical property financed with the proceeds of the debt offerings and by the Authority's assignment of its interest in the mortgaged properties to the trustees of the bond issues at June 30, 2006:

<u>Bond/Note</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Principal Balance 2006 (in thousands)</u>
Fort Wayne Regional Blood Service and Allen - Wells Chapter of the American Red Cross, Series 1988	2002-2017	Variable	\$ 1,833
Capital Access Designated Pool Programs			
Series 1991	2001-2006	Variable	500
Series 1997	2007	Variable	600
Series 1998	2002-2008	Variable	600
Series 2000	2002-2020	Variable	2,700
Series 2002A	2003-2012	Variable	
Ancilla Series 1990A	2018	6%	20,470
Rehabilitation Hospital of Indiana, Inc., Series 1990	2001-2020	Variable	16,400
Rehabilitation Center, Series 1991	2007-2009	Variable	470
Community Hospitals of Indiana, Series 1992	2001-2022	6.25-6.85%	17,175
Community Hospitals of Indiana, Series 1992	2001-2022	6.25-6.85%	31,085
Ancilla Series 1992 C	2023	7.375	19,400
Deaconess Hospital, Inc., Series 1993	2002-2022	Variable	23,760
Community Hospital of Anderson, Series 1993	2007-2023	5.70-6.00%	20,195
Columbus Regional Hospital, Series 1993	2001-2022	5.00-5.85%	23,440
Union Hospital, Series 1993	2001-2023	4.60-5.25%	31,810
Community Hospitals Projects, Series 1995	2002-2022	4.90-5.70%	48,670

(Continued)

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
SCHEDULE OF CONDUIT DEBT  
June 30, 2006

<u>Bond/Note</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Principal Balance 2006 (in thousands)</u>
The Methodist Hospitals, Inc., Series 1996	2016	6.00%	\$ 15,000
Hancock Memorial Hospitals, Series 1996	2001-2017	5.625-6.125%	14,085
Cardinal Center, Inc., Series 1996A	2002-2016	Variable	460
Pathfinder Services, Inc., Series 1996	2019	Variable	1,865
Clarian Health Partners, Inc., Series 1996A, B and C	2002-2026	4.90-6.00% and Variable	117,115
Ancilla Series 1997	2022	4.75-5.25	56,155
King's Daughters Hospital, Series 1997A	2001-2027	4.75-5.625%	15,670
Community Hospitals Project, Series 1997	2020-2027	Variable	30,000
Sisters of St. Francis Health Services, Inc., Series 1997A	2001-2027	5.00-5.75%	141,820
Janus Development Services, Inc., Series 1997	2002-2013	Variable	635
Jackson County Schneck Memorial Hospital, Series 1998	2002-2022	4.45-5.25%	21,140
Mary Sherman Memorial Hospital, Series 1998	2002-2019	Variable	8,515
Floyd Memorial Hospital, Series 1998	2002-2022	4.50-5.40%	16,780
Holy Cross, Series 1998	2001-2028	4.50-5.375%	68,945
Greenwood Village South Project, Series 1998	2002-2028	5.00-5.625%	13,225
Daviess County Hospital Project, Series 1998	2002-2018	4.20-5.10%	4,720
Hamilton Communities Project, Series 1998	2010 and 2030	6.00-6.50%	18,900
Marquette Manor Project, Series 1998	2001-2018	4.125-5.00%	9,695
Franciscan Eldercare and Community Services, Series 1998	2002-2029	5.00-5.875%	13,460
Sullivan County Series 1998	2019	Variable	8,515

(Continued)

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
SCHEDULE OF CONDUIT DEBT  
June 30, 2006

<u>Bond/Note</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Principal Balance 2006 (in thousands)</u>
St. Francis Health Services, Series 1999A	2001-2029	4.00-5.25%	\$ 24,875
Riverview Hospital Project, Series 1999	2007-2024	4.70-5.50%	9,775
Deaconess Hospital Obligated Group, Series 1999A	2002-2029	4.25-5.57%	23,175
Deaconess Hospital Obligated Group, Series 1999B	2019	Variable	14,400
Hoosier Care Project, Series 1999A	2034	7.125%	21,240
Hoosier Care Project, Series 1999B	2019	10.50%	865
Charity Obligated Group, Series 1999D	2001-2012	4.38-5.75%	28,020
Daviess Community Hospital Project, Series 1999	2002-2029	4.90-6.125%	12,175
Anthony Wayne Rehab Center	2002-2031	Variable	3,650
Baptist Homes of Indiana	2002-2030	Variable	
Clarian Health Obligated Group Series 2000A	2002-2030	4.75-5.50%	4,910
Clarian Health Obligated Group Series 2000B	2002-2030	Variable	91,000
Clarian Health Obligated Group Series 2000C	2002-2030	Variable	91,000
Community Hospital Project, Series 2000A and B	2002-2028	Adjustable	39,200
Greencroft Obligated Group, Series 2000	2030	2.29%-3.98%	12,070
Greenwood Village South Project	2031	7.40%	2,305
Southern IN Rehabilitation Hospital	2001-2020	Adjustable	5,250
Anthony Wayne Rehabilitation Center	2031	Variable	3,650
For the Handicapped and Blind			
Ascension Health, Series 2001A	2036	Adjustable	400,800
Bethesda Living Centers 2001 B	2031	Variable	4,910
Clark Memorial Hospital, Series 2001	2021	Variable	17,350
Community Foundation of Northwest Indiana, Series 2001A	2005-2031	5.50-6.375%	119,380

(Continued)

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
SCHEDULE OF CONDUIT DEBT  
June 30, 2006

<u>Bond/Note</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Principal Balance 2006 (in thousands)</u>
Community Foundation of Northwest Indiana, Series 2001B	2025	Adjustable	\$ 23,875
Franciscan Eldercare Services, Inc., Series 2001A	2007-2032	5.60-6.75%	10,250
Franciscan Eldercare Services, Inc., Series 2001B	2032	5.60-6.75%	18,505
Sisters of St. Francis Health Services, Inc., Series 2001	2002-2031	4.125-5.75%	16,575
The Methodist Hospitals, Inc., Series 2001	2002-2031	4.00-5.50%	67,570
Parkview Health System Obligated Group, Series A, B and C	2004-2031	Adjustable	206,350
Fayette Memorial Hospital Project, Series 2002A	2005-2032	Variable	13,700
Golden Years Homestead, Inc., Series 2002A	2012-2025	Variable	11,500
Golden Years Homestead, Inc., Series 2002B	2012	Variable	900
Grandview Care Series 2002	2023	Variable	3,620
Marion General Hospital Project, Series 2002	2008-2032	4.00-5.625%	29,690
Riverview Hospital Project, Series 2002	2024-2031	6.00-6.125%	20,000
Union Hospital, Series 2002	2003-2027	Variable	14,800
Fayette Memorial Hospital Association, Inc., Series 2002B	2003-2022	Variable	10,965
Golden Years Homestead, Inc., Series 2002A	2012-2025	Adjustable	11,500
Golden Years Homestead, Inc., Series 2002B	2012	Adjustable	900
Henry County Memorial Hospital, Series 2002	2003-2022	Adjustable	17,635
Marion General Hospital Project, Series 2002	2008-2032	4.00-5.625%	29,690
Union Hospital, Series 2002	2003-2027	Variable	14,365
Fayette Memorial Hospital Association, Inc., Series 2002B	2003-2022	Variable	487

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INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
SCHEDULE OF CONDUIT DEBT  
June 30, 2006

<u>Bond/Note</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Principal Balance 2006 (in thousands)</u>
United Church Homes	2003-2027	Adjustable	\$ 3,100
Ascension Health Credit Group, Series 2002E	2003-2032	Variable	34,900
Franciscan Communities, Inc., Series 2003A	2003-2032	4.00-6.40%	10,680
Franciscan Communities, Inc., Series 2003B	2028	Adjustable	4,335
Clarian Health Obligated Group, Series 2003A, B, C and D	2007-2033	Variable	180,000
Clarian Health Obligated Group, Series 2003E, F, and G	2007-2033	Variable	225,000
Clarian Health Obligated Group, Series 2003H	2007-2033	Variable	47,500
Clarian Health Obligated Group, Series 2003I	2007-2033	Variable	47,500
Columbus Regional Hospital Project, Series 2003	2004-2022	Auction	52,000
Dunn Memorial Hospital Project Series 2003	2004-2022	Adjustable	7,815
Major Hospital Project, Series 2003	2004-2025	Adjustable	32,170
Sisters of St. Francis Health Services, Series 2003A, B, C and D	2007-2033	Auction	164,150
Floyd Memorial Hospital and Health Services, Series 2003A	2005-2034	Variable	34,900
Floyd Memorial Hospital and Health Services, Series 2003B	2005-2034	Variable	34,900
Community Foundation of Northwest Indiana, Series 2004A	2008-2034	3.50-6.00%	60,000
Deaconess Hospital Obligated Group, Series 2004A	2020-2034	5.00-5.38%	54,765
Deaconess Hospital Obligated Group, Series 2004B	2010-2029	Adjustable	25,000
Margaret Mary Community Hospital, Series 2004A	2005-2029	Variable	21,435
Clark Memorial Hospital Project, Series 2004A	2005-2024	Variable	9,500

(Continued)

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
SCHEDULE OF CONDUIT DEBT  
June 30, 2006

<u>Bond/Note</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Principal Balance 2006 (in thousands)</u>
Clark Memorial Hospital Project, Series 2004B	2005-2024	Variable	\$ 4,470
Memorial Hospital Project, Series 2004A	2005-2024	Variable	20,435
Community Health Network, Project Series 2005A	2008-2035	4.50-5.00%	152,820
Community Health Network, Project Series 2005B	2008-2035	Adjustable	18,700
Community Health Network, Project Series 2005 C	2008-2035	Adjustable	18,800
Riverview Hospital Project, Series 2004	2022-2032	Variable	20,200
Ascension Health Subordinate, Series 2005A	2007-2011	5.0%	450,180
Porter Memorial Hospital, Series 2005A	2006-2019	Variable	25,420
Porter Memorial Hospital, Series 2005B	2006-2019	Variable	6,145
Westview Hospital Project, Series 2004	2005-2019	Variable	12,930
Crossroads Rehabilitation Center, Inc. Project 2004	2005-2019	Variable	2,385
Stone Belt ARC, Inc., Series 2005	2006	Variable	3,100
Howard Community Hospital 2005A			30,000
Howard Community Hospital 2005B			20,000
Clarian Health 2005 A, B, C, D			325,525
Marion General Hospital 2005			24,000
Jackson County Schneck Memorial Hospital, Series 2006A	2036	5.0-5.25%	15,000
Jackson County Schneck Memorial Hospital, Series 2006B	2036	Variable	20,000
Riverview Hospital Project, Series 2005	2017	3-4.5%	8,750
Parkview Health System Obligated Group, 2005 A	2033	Variable	125,000
Parkview Health System Obligated Group, Series 2005 B	2028	Variable	69,425
American Eagle LifeCare Project, Series 2005A	2036	Variable	11,120

(Continued)

INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
SCHEDULE OF CONDUIT DEBT  
June 30, 2006

<u>Bond/Note</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Principal Balance 2006 (in thousands)</u>
Baptist Homes of Indiana, Series 2005	2006-2035	Variable	\$ 47,905
American Eagle LifeCare Project, Series 2005B	2036	Variable	2,735
American Eagle LifeCare Project, Series 2005C	2036	Variable	3,195
Golden Years Homestead Series 2004	2024	Variable	1,170
Sister of St Francis 2006 A, B, C, D, E, F			620,020
Clarian Health 2006 A,			327,170
<b>Higher Education Program</b>			
Bethel College, 2002			6,017
Bethel College, 2004			6,040
Butler University, 1996			5,675
Butler University, 2001			54,815
Butler University, 2004			56,300
DePauw University, 1999			14,440
DePauw University, 2006A	2036	Variable	41,925
DePauw University, 2006B	2036	Variable	41,925
Earlham College, 1998			6,850
Earlham College, 2004			9,000
Earlham College, 2004			6,985
Franklin College, 2003			11,900
Hanover College, 2004			7,855
Hanover College, 2004			7,675
Indiana Wesleyan University, 1993			1,950
Indiana Wesleyan University, 1995			3,050
Indiana Wesleyan University, 1998			12,700
Indiana Wesleyan University, 1999			9,700
Manchester College, 2006			6,470
Marian College, 1997			5,440
Marian College, 2003			6,210
Martin University, Series 2001	2031	Variable	3,235
Rose-Hulman Institute of Technology, 1996			725
Rose-Hulman Institute of Technology, 1998			10,865
Rose-Hulman Institute of Technology, 1999			6,160
Rose-Hulman Institute of Technology, 2003			14,800
Rose-Hulman Institute of Technology, 2004			16,575
Saint Joseph's College, 2004			16,135

(Continued)



INDIANA HEALTH AND EDUCATIONAL FACILITY  
FINANCING AUTHORITY  
SCHEDULE OF CONDUIT DEBT  
June 30, 2006

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<u>Bond/Note</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Principal Balance 2006 (in thousands)</u>
Saint Mary-of-the-Woods College, 1996			\$ 4,500
Saint Mary-of-the-Woods College, 2004			2,900
Saint Mary's College, 1998			22,875
University of Evansville, 1993			2,335
University of Evansville, 1996			8,490
University of Evansville, 2000			7,400
University of Evansville, 2001			6,490
University of Indianapolis, 1999			12,000
University of Indianapolis, 2001			10,000
University of Indianapolis, 2004			9,760
University of Notre Dame, 1997			22,745
Valparaiso, 1999			12,325
Valparaiso, 2003			13,280
Wabash College, 2001			29,940
Wabash College, 2003			<u>16,215</u>
Total conduit debt outstanding			<u>\$ 6,298,007</u>